

Message Text

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INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 FEA-01 AGRE-00
CEA-01 CIAE-00 DODE-00 EB-08 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05
SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
OMB-01 OPIC-03 XMB-02 /115 R

DRAFTED BY COM/ BIEPR/OTP/IND/RFRANCIS
APPROVED BY EB/OT/ TA/DDUNFORD
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E.O. 11652: N/A

TAGS: ETRD, GATT, SW, BE

SUBJECT: EXPORT INFLATION INSURANCE (EII) WORKING PARTY

REF: GENEVA 6838

1. WE HAVE REVIEWED RESULTS OF MISSION'S MEETING WITH ABBOTT (REFTEL) AS WELL AS RESULTS OF LAST WORKING PARTY MEETING. FOLLOWING IS GUIDANCE FOR MISSION USE IN CONTACTS WITH OTHER DELEGATIONS. FURTHER INSTRUCTIONS WILL FOLLOW AS NECESSARY.

2. WE FAVOR CONCLUSIONS ALONG THE LINES OF LANGUAGE CONTAINED IN PARA 2B OF REFTTEL WHICH WE UNDERSTAND ABBOTT WILL ATTEMPT TO SELL TO MEMBER STATES. MISSION SHOULD PUSH FOR THIS LANGUAGE WHICH WE FEEL ACCURATELY REFLECTS THE VIEWS OF THE VARIOUS MEMBERS OF THE WORKING PARTY AS CONTAINED IN THEIR STATEMENTS IN THE BODY OF THE DRAFT REPORT AND AS EXPRESSED IN WP DISCUSSIONS. RECOMMEND MISSION ALSO SEEK SUPPORT OF SWISS, SWEDES, NORWEGIANS, CANADIANS AND JAPANESE FOR THIS LANGUAGE. WE NOTE ABBOTT'S STATEMENT THAT BRITISH AND FRENCH WILL PUSH FOR REBUTTAL LANGUAGE TO ANY CONCLUSIONS FOR COUNTRIES WITHOUT EII SCHEMES. WE ARE NOT SURE AS TO WHAT LANGUAGE THE U.K. AND FRANCE COULD

MUTUALLY AGREE TO, OR WHETHER U.K. AND FRANCE CAN INSERT SUCH LANGUAGE IN CONCLUSION WITHOUT CONCURRENCE OF OTHERS. IN ANY CASE WE WOULD HAVE TO CONSIDER ANY SUCH LANGUAGE AND THE OUTCOME OF EC'S DELIBERATIONS IN GENERAL BEFORE WE MAKE FINAL DECISION AS TO WHETHER TO ABANDON EFFORTS TO SECURE SPECIFIC CONCLUSIONS IN THE REPORT.
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3. AS SUGGESTED REFTTEL, CONSIDERATION HAS BEEN GIVEN TO FALLBACK POSITION. PRESENT THINKING IS THAT REPORT WITH NO CONCLUSIONS AND WHICH ONLY TRANSMITS VARIOUS DELEGATIONS VIEWS TO THE COUNCIL IS PREFERABLE TO SECRETARIAT'S DRAFT CONCLUSIONS WHICH ARE NOT ACCEPTABLE SINCE THEY DO NOT REFLECT THE PREPONDERANCE OF SENTIMENT IN WP AGAINST THESE SCHEMES, AT LEAST AMONG WP MEMBERS WHO EXPRESSED THEIR VIEWS. REPORT WITHOUT CONCLUSIONS IS PREFERABLE SINCE IT WOULD NOT PREJUDICE ANY FUTURE ACTIONS U.S. MAY WISH TO PURSUE IN GATT OR ELSEWHERE. AS NOTED IN PARAGRAPH 2, ABOVE, HOWEVER, MISSION SHOULD PRESS AS FAR AS POSSIBLE FOR CONCLUSIONS ALONG LINES OF REFTTEL. FYI-THERE IS SOME SENTIMENT HERE IN FAVOR OF PURSUING THE MATTER OF EII SCHEMES FURTHER, ESPECIALLY IN THE GATT. WHILE NO DECISION HAS YET BEEN MADE, WE MUST WEIGH ALL ALTERNATIVES CONCERNING LANGUAGE IN THE REPORT WITH THIS IN MIND. END FYI.

4. MISSION IS REQUESTED TO CLARIFY, IF POSSIBLE, ABBOTT'S STATEMENT REGARDING U.S. LANGUAGE ON "DISTORTIVE EFFECTS." (PARA 2B REFTTEL) WHICH WE DO NOT UNDERSTAND. MISSION

SHOULD POINT OUT OUR EARLIER UNDERSTANDING THAT MEMBER COUNTRIES WOULD BE ON THEIR OWN IN THIS WP AND OUR DIS-APPOINTMENT THAT COMMISSION DEFENDS SCHEMES UNDER THE GATT WHICH IT DEEMS ILLEGAL UNDER THE ROME TREATY.

5. WITH REGARD TO EXCHANGE RATE INSURANCE, WE WILL NOT BLOCK ABBOTT'S EFFORTS TO INCLUDE HIS PROPOSED THREE-PARAGRAPH STATEMENT IN THE BODY OF THE REPORT. WE COULD ASSOCIATE OURSELVES WITH A SWISS REBUTTAL WHICH ASSERTS EXCHANGE RATE INSURANCE IS OUTSIDE MANDATE OF WP BUT WHICH DOES NOT ATTEMPT TO DEFEND THESE SCHEMES, IF MISSION FEELS THIS WOULD BE BENEFICIAL FOR TACTICAL REASONS. WE PREFER THAT EC AND SWISS SIMPLY MAKE THEIR STATEMENTS AND LEAVE IT AT THAT, SINCE WE OPPOSE ERI SCHEMES AND MAY ULTIMATELY LIMITED OFFICIAL USE

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WANT THIS ISSUE DISCUSSED IN GATT AFTER EII WORKING PARTY CONCLUDES. MISSION SHOULD CONTACT SWISS DEL AND OBTAIN LANGUAGE WHICH SWISS PROPOSE TO OFFER AND TRANSMIT TO WASHINGTON.

6. WE ARE OPPOSED TO ANY SEPARATE PARAGRAPH IN BODY OF DRAFT REPORT ON SELF-FINANCING ISSUE AS ABBOTT HAS PROPOSED. THE TWO PARAGRAPH SOLUTION IS EQUALLY UNACCEPTABLE. THIS DOES NOT PRECLUDE THE U.K. OR FRANCE DISCUSSING THE TOPIC IN THEIR STATEMENTS, BUT AS ABBOTT POINTED OUT AT LAST WP MEETING SEPARATE PARAGRAPHS MUST NOT BE ALLOWED (WHICH IS WHY U.S. DROPPED ITS PROPOSED PARAGRAPH ON AVAILABILITY OF DATA REGARDING DUAL PRICING.) WE NOTE FROM REFTEL THAT THE QUESTION OF SELF-FINANCING IS BEING DISCUSSED IN BRUSSELS, WHERE THERE IS SOME OPPOSITION TO INDICATING EII SCHEMES MAY BE LEGAL UNDER CERTAIN CIRCUMSTANCES. CAN MISSION OBTAIN INFORMATION FROM ABBOTT AS TO SOURCE OF THIS OPPOSITION?

7. IN GENERAL WE ARE CONCERNED WITH HARD LINE ADOPTED BY THE EC SPOKESMAN AT LAST WP MEETING. THROUGHOUT HISTORY OF THIS ISSUE U.S. HAS DELAYED ACTION AND TAKEN OTHER STEPS AT REQUEST OF COMMISSION SINCE THE COMMISSION WAS SUPPOSED TO BE PRRRESSING U.K. AND FRANCE TO ABANDON THEIR SCHEMES AND GO ALONG WITH THE PROPOSED DIRECTIVE DEALING WITH THIS MATTER. THEREFORE DEPENDING ON RESPONSES TO QUESTIONS IN PARAGRAPHS 6 AND 8 WE MAY WISH TO APPROACH COMMISSION TO INDICATE THAT ITS RECENT TACTICS ARE MAKING THIS ISSUE MORE DIFFICULT TO SOLVE IN A MANNER WHICH WOULD ACCOMPLISH PREVIOUSLY DISCUSSED GOAL OF IMMEDIATE ELIMINATION OR PHASING OUT SCHEMES. EC INSISTENCE ON A HARD-LINE REGARDING SELF-FINANCING AND OTHER UNRESOLVED ISSUES WOULD FURTHER EXACERBATE THIS ISSUE.
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8. FOR EC BRUSSELS-ANY INFORMATION MISSION CAN PROVIDE
REGARDING QUESTION IN PARA6 OR ANY COMMENTS ON PARA 7
ABOVE ARE WELCOME. WOULD APPRECIATE QUICK REPLY. CHRISTOPHER

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